

HANOVER HOSPITAL
a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION
with
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2014 AND 2013

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hanover Hospital
a/k/a Washington County Hospital District No. 1
Hanover, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of Hanover Hospital a/k/a Washington County Hospital District No. 1 which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hanover Hospital a/k/a Washington County Hospital District No. 1 as of December 31, 2014 and 2013, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Hospital District will continue as a going concern. As discussed in Note 11 to the financial statements, the Hospital District continues to suffer recurring losses from operations and reduced working capital levels that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Additional Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were made for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to the prepare the basic financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

George Bauman : Naal, P.A.

Wichita, Kansas
July 26, 2015

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Hanover Hospital's (Hospital District's) financial performance provides an overview of the Hospital District's financial activities for the fiscal years ended December 31, 2014 and 2013. Please read it in conjunction with the Hospital District's financial statements, which begin on page 7.

Financial Highlights

- The Hospital District's net position decreased by \$7,482 or 0.90 percent in 2014 compared to a decrease in 2013 of \$31,467 or 3.63 percent.
- The Hospital District reported operating losses of \$251,212 and \$186,712 in 2014 and 2013, respectively.
- Net nonoperating revenues increased by \$88,485 or 57.00 percent in 2014 compared to 2013. Net nonoperating revenues decreased in 2013 by \$73,080 or 32.01 percent compared to 2012. The changes in 2014 and 2013 were primarily due to differences in contributions and tax revenue received.

Financial Statements

The Hospital District's financial statements are prepared using proprietary fund accounting that focuses on the determination of changes in net position, financial position and cash flows in a manner similar to private-sector businesses. The financial statements are prepared on an accrual basis of accounting which recognizes revenue when earned and expenses when incurred. The basic financial statements include a *statement of net position*, *statement of revenue, expenses and changes in net position*, and *statement of cash flows*, followed by notes to the financial statements and schedules of certain additional information.

The *statement of net position* presents information on the Hospital District's assets, deferred outflows of resources, deferred inflows of resources and liabilities, with the net difference between them reported as net position. Over time, increases or decreases in net position may indicate whether the financial position of the Hospital District is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents both the operating revenues and expenses and nonoperating revenues and expenses along with other changes in net position for the year. This statement is an indication of the success of the Hospital District's operations over the past year.

The *statement of cash flows* presents the change in cash and cash equivalents for the year resulting from operating activities, capital and related financing activities and investing activities. The primary purpose of this statement is to provide information about the Hospital District's cash receipts and cash payments during the year.

Net Position

The following schedule summarizes the Hospital District's net position as of December 31, 2014, 2013 and 2012.

	December 31,		
	2014	2013	2012
Assets:			
Current assets	\$ 983,115	\$ 937,616	\$ 814,142
Capital assets, net	504,820	577,338	630,793
Other noncurrent assets	<u>53,816</u>	<u>26,775</u>	<u>56,461</u>
Total assets	<u>\$ 1,541,751</u>	<u>\$ 1,541,729</u>	<u>\$ 1,501,396</u>
Liabilities:			
Capital lease obligations	\$ 8,295	\$ 35,474	\$ 73,944
Other liabilities	<u>629,933</u>	<u>597,238</u>	<u>513,711</u>
Total liabilities	<u>638,228</u>	<u>632,712</u>	<u>587,655</u>
Deferred inflows of resources:			
Deferred property taxes receivable	<u>75,167</u>	<u>73,179</u>	<u>46,436</u>
Total liabilities and deferred inflows of resources	<u>\$ 713,395</u>	<u>\$ 705,891</u>	<u>\$ 634,091</u>
Net position:			
Invested in capital assets, net	\$ 496,525	\$ 541,864	\$ 556,849
Unrestricted	<u>331,831</u>	<u>293,974</u>	<u>310,456</u>
Total net position	<u>\$ 828,356</u>	<u>\$ 835,838</u>	<u>\$ 867,305</u>

Recent Financial Performance

The following schedule is a summary of the Hospital District's revenues, expenses and changes in net position for the years ended December 31, 2014, 2013 and 2012.

	December 31,		
	2014	2013	2012
Operating revenue	<u>\$ 3,537,668</u>	<u>\$ 3,438,321</u>	<u>\$ 3,187,211</u>
Operating expenses:			
Salaries	2,037,516	1,929,231	1,800,625
Employee benefits	401,661	403,743	394,879
Supplies and other	1,216,728	1,160,044	1,062,034
Depreciation and amortization	<u>132,975</u>	<u>132,015</u>	<u>122,375</u>
Total operating expenses	<u>3,788,880</u>	<u>3,625,033</u>	<u>3,379,913</u>
Loss from operations	<u>(251,212)</u>	<u>(186,712)</u>	<u>(192,702)</u>
Nonoperating revenues:			
Taxes	78,210	50,744	43,079
Grants and contributions	150,826	95,485	179,478
Other, net	<u>14,694</u>	<u>9,016</u>	<u>5,768</u>
Total nonoperating revenues	<u>243,730</u>	<u>155,245</u>	<u>228,325</u>
Increase (decrease) in net position	<u>\$ (7,482)</u>	<u>\$ (31,467)</u>	<u>\$ 35,623</u>
Net position at end of year	<u>\$ 828,356</u>	<u>\$ 835,838</u>	<u>\$ 867,305</u>

The first component of the overall change in the Hospital District's net position is its operating income (loss)—generally, the difference between net patient service revenue and the expenses incurred to perform those services. In each of the past three years, the Hospital District has reported an operating loss. This is consistent with the Hospital District's operating history. The operating loss in 2014 increased by \$64,500 or 34.55 percent higher than the operating loss reported in 2013. The operating loss in 2013 decreased by \$5,990 or 3.11 percent lower than the operating loss reported in 2012.

Gross patient service revenue, that is, charges to patients before reduction for contractual adjustments and the provision for bad debts, increased by approximately \$230,242 or 5.47 percent in 2014 and by approximately \$6,400 or 0.15 percent in 2013.

The Hospital District recognizes contractual adjustments and the provision for bad debts against gross patient service revenue to arrive at net patient service revenue. Contractual adjustments represent amounts not collected due to government regulations concerning the calculation of healthcare payments for Medicare and Medicaid beneficiaries and for adjustments for various contractual agreements with commercial insurance carriers. The contractual adjustments as a percentage of patient service revenue was approximately 20% in 2014 compared to 19% in 2013.

Operating expenses increased by approximately 5% from 2013 to 2014 and by approximately 7% from 2012 to 2013 primarily as a result of increases in salaries and employees benefits.

Nonoperating revenues consist primarily of grants and contributions and property taxes levied by the Hospital District.

Patient Volumes

Pertinent patient volume statistics are summarized in the following table:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Inpatient acute days	346	343	366
Observation bed days	<u>269</u>	<u>201</u>	<u>179</u>
	<u>615</u>	<u>544</u>	<u>545</u>
Percent change	<u>13.05%</u>	<u>(0.18)%</u>	<u>(2.15)%</u>
Swing bed-skilled days	<u>1,025</u>	<u>897</u>	<u>852</u>
Percent change	<u>14.27%</u>	<u>5.28%</u>	<u>(18.86)%</u>
Swing bed-ICF days	<u>6,239</u>	<u>6,055</u>	<u>6,259</u>
Percent change	<u>3.04%</u>	<u>(3.26)%</u>	<u>11.05%</u>

Capital Assets

At the end of 2014, the Hospital District had \$496,525 invested in capital assets, net of accumulated depreciation and debt outstanding for the acquisition of capital assets, as detailed in Notes 7 and 8 to the financial statements. The Hospital District acquired approximately \$60,000 and \$79,000 of capital assets in 2014 and 2013, respectively.

Debt

At December 31, 2014, the Hospital District had approximately \$8,300 of outstanding capital lease obligations relating to the acquisition of certain radiology equipment.

Other Economic Factors

The assessed valuation for the Hospital District for 2015 is approximately \$13,067,000 and is an increase of 6.05 percent from the 2014 amount of \$12,321,000. The total ad valorem taxes levied for 2014 was \$75,923 compared to \$46,900 for 2013.

Issues Facing the Hospital District

There are issues facing the Hospital District that could result in material changes in its financial position in the long term. Among these issues are:

- Risks related to Medicare and Medicaid reimbursement. A significant portion of the Hospital District's revenues are derived from the Medicare program, which provides certain healthcare benefits to beneficiaries who are over 65 years of age or disabled, and the Medicaid program, funded jointly by the federal government and the states, which provides medical assistance to certain needy individuals and families. The funding of these programs by the federal and state governments face increasing pressure due to the significant increases in the costs of providing healthcare services in recent years.
- Healthcare reform. In 2010, the federal government enacted sweeping new legislation that will significantly impact virtually all aspects of the healthcare delivery and insurance programs in the country. Portions of the legislation will continue to be implemented over the next several years. However, much of the detailed implementation regulations have not yet been issued and accordingly, any specific effects on operations of the Hospital District are currently undeterminable. Management continues to closely monitor the progression of the implementation of the legislation.
- Employment and labor issues. The Hospital District is a major employer within the community, employing a complex mix of professional, technical, clerical, maintenance, dietary, and other workers. Risks include personal tort actions, work-related injuries and exposure to hazardous materials. A relative shortage of nursing and other medical professional/technical employees, is an issue that is causing salary and benefits costs to increase at significant rates.
- Technology and services. Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, and outpatient healthcare delivery may reduce utilization and revenues for the Hospital District in the future. Technological advances continue to accelerate the need to acquire sophisticated and expensive equipment and services for diagnosis and treatment of illnesses and diseases.
- Increasing numbers of uninsured and underinsured patients. Due to the significant increases and high cost of healthcare insurance premiums in recent years, increasing numbers of patients of the Hospital District are finding it more and more difficult to obtain or maintain adequate health insurance coverage. This trend could increase the levels of uncompensated care provided by the Hospital District.

Contacting The Hospital District's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital District's finances and to show the Hospital District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital District Administration Department, at Hanover Hospital, a/k/a Washington County Hospital District No. 1, 205 S. Hanover, Hanover, Kansas 66945.

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

STATEMENTS OF NET POSITION

ASSETS

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Current assets:		
Cash (Notes 3 and 4)	\$ 143,079	\$ 188,626
Accounts receivable, net of allowance for doubtful accounts of \$375,751 in 2014 and \$304,954 in 2013	624,564	542,747
Uncollected current property taxes receivable (Note 1)	75,167	73,179
Inventories (Note 1)	119,376	115,728
Other	<u>20,929</u>	<u>17,336</u>
Total current assets	<u>983,115</u>	<u>937,616</u>
 Board-designated assets (Notes 3 and 4)	 <u>53,816</u>	 <u>26,775</u>
 Property and equipment, at cost (Notes 1 and 7):		
Land	14,229	14,229
Land improvements	33,945	33,945
Building	1,154,509	1,154,509
Fixed equipment	608,789	603,457
Movable equipment	<u>1,144,948</u>	<u>1,093,423</u>
Total property and equipment	2,956,420	2,899,563
Less accumulated depreciation	<u>2,451,600</u>	<u>2,322,225</u>
Net property and equipment	<u>504,820</u>	<u>577,338</u>
Total assets	<u>\$ 1,541,751</u>	<u>\$ 1,541,729</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Current liabilities:		
Accounts payable	\$ 172,480	\$ 205,744
Salaries and wages payable	128,509	134,689
Payroll taxes payable	50,430	47,741
Estimated third-party payer settlements (Note 2)	156,453	90,120
Current portion of compensated absences payable (Notes 1 and 8)	117,179	114,186
Current portion of capital lease obligations (Note 8)	<u>8,295</u>	<u>27,179</u>
Total current liabilities	<u>633,346</u>	<u>619,659</u>
Long-term liabilities:		
Capital lease obligations (Note 8)	—	8,295
Compensated absences payable (Notes 1 and 8)	<u>4,882</u>	<u>4,758</u>
Total long-term liabilities	<u>4,882</u>	<u>13,053</u>
Total liabilities	<u>638,228</u>	<u>632,712</u>
Deferred inflows of resources:		
Deferred property taxes receivable (Note 1)	<u>75,167</u>	<u>73,179</u>
Net position (Note 1):		
Invested in capital assets, net	496,525	541,864
Unrestricted	<u>331,831</u>	<u>293,974</u>
Total net position	<u>828,356</u>	<u>835,838</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,541,751</u>	<u>\$ 1,541,729</u>

The accompanying notes are an integral
part of the financial statements.

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>Year ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Operating revenues:		
Net patient service revenue (Note 1)	\$ 3,509,043	\$ 3,409,696
Ambulance subsidy	<u>28,625</u>	<u>28,625</u>
Total operating revenues	<u>3,537,668</u>	<u>3,438,321</u>
Operating expenses:		
Salaries	2,037,516	1,929,231
Employee benefits	401,661	403,743
Supplies and other	1,216,728	1,160,044
Depreciation and amortization (Note 1)	<u>132,975</u>	<u>132,015</u>
Total operating expenses	<u>3,788,880</u>	<u>3,625,033</u>
Loss from operations	<u>(251,212)</u>	<u>(186,712)</u>
Nonoperating revenues (expenses):		
Taxes	78,210	50,744
Investment income	556	415
Interest expense	(3,716)	(4,785)
Noncapital contributions and grants	85,301	95,485
Other	<u>17,854</u>	<u>13,386</u>
Total nonoperating revenues (expenses)	<u>178,205</u>	<u>155,245</u>
Excess of expenses over revenues before capital contributions and grants	(73,007)	(31,467)
Capital contributions and grants	<u>65,525</u>	<u>-</u>
Decrease in net position	(7,482)	(31,467)
Net position at beginning of year	<u>835,838</u>	<u>867,305</u>
Net position at end of year	<u><u>\$ 828,356</u></u>	<u><u>\$ 835,838</u></u>

The accompanying notes are an integral
part of the financial statements.

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2014	2013
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 3,493,559	\$ 3,440,405
Payments to suppliers and contractors	(1,254,544)	(1,150,921)
Payments to employees	(2,040,579)	(1,921,743)
Payments for employee benefits	(401,661)	(403,743)
Other receipts and payments, net	<u>28,625</u>	<u>28,625</u>
Net cash flows used by operating activities	<u>(174,600)</u>	<u>(7,377)</u>
Cash flows from noncapital financing activities:		
Property taxes for operations	78,210	50,744
Noncapital contributions and grants	85,301	95,485
Other	<u>17,854</u>	<u>13,386</u>
Net cash flows provided by noncapital financing activities	<u>181,365</u>	<u>159,615</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(60,457)	(78,560)
Capital contributions and grants	65,525	—
Interest payments on long-term debt	(3,716)	(4,785)
Principal payments on long-term debt	<u>(27,179)</u>	<u>(38,470)</u>
Net cash flows used by capital and related financing activities	<u>(25,827)</u>	<u>(121,815)</u>
Cash flows from investing activities:		
Additions to board-designated assets	(37,378)	(28,876)
Uses of board-designated assets	10,337	58,562
Investment income	<u>556</u>	<u>415</u>
Net cash flows provided (used) by investing activities	<u>(26,485)</u>	<u>30,101</u>
Net increase (decrease) in cash and cash equivalents	(45,547)	60,524
Cash and cash equivalents at beginning of year	<u>188,626</u>	<u>128,102</u>
Cash and cash equivalents at end of year	<u>\$ 143,079</u>	<u>\$ 188,626</u>

HANOVER HOSPITAL
a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

STATEMENTS OF CASH FLOWS - continued

	<u>Year ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (251,212)	\$ (186,712)
Adjustments to reconcile operating loss to net cash flows used in operating activities:		
Depreciation and amortization	132,975	132,015
Provision for doubtful accounts, net of recoveries	57,965	11,883
Deferred inflows of property taxes receivable	1,988	26,743
Net (increases) decreases in current assets:		
Accounts receivable	(139,782)	(169,929)
Property taxes receivable	(1,988)	(26,743)
Inventories	(3,648)	8,914
Estimated third-party payer settlements	—	98,635
Other current assets	(3,593)	14,290
Net increases (decreases) in current liabilities:		
Accounts payable	(33,264)	(17,538)
Compensated absences payable	3,117	(5,007)
Salaries payable	(6,180)	12,495
Payroll taxes payable	2,689	3,457
Estimated third-party payer settlements	<u>66,333</u>	<u>90,120</u>
Net cash used by operating activities	<u>\$ (174,600)</u>	<u>\$ (7,377)</u>

The accompanying notes are an integral
part of the financial statements.

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013

1. Summary of significant accounting policies

This summary of significant accounting policies is presented to assist in understanding the Hospital District's financial statements. The financial statements and notes are representations of the Hospital District's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization and business activity

The Washington County Hospital District No. 1 (the Hospital District) is a political subdivision of the state of Kansas and is governed by a Board of Trustees. The Hospital District provides acute inpatient, outpatient, swing bed, and home health services.

Basis of accounting and presentation

The financial statements of the Hospital District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Property taxes, investment income, interest on capital assets-related debt are included in nonoperating revenues and expenses.

The Hospital District prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Hospital District considers money market and interest bearing checking accounts that have not been designated by the Board of Trustees for replacement of or additions to capital assets (Note 3), to be cash equivalents.

1. Summary of significant accounting policies (continued)

Patient accounts receivable

The Hospital District reports patient accounts receivable (Note 6) for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital District provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information, payer mix trends, and existing economic conditions. As a service to patients, the Hospital District bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are generally due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account. If future actual default rates on accounts receivable differ from those currently anticipated, the Hospital District may have to adjust its allowance for doubtful accounts, which would affect earnings in the period the adjustments are made.

Budgetary principles

The Hospital District is required by state statute to adopt annual budgets using the modified accrual basis of accounting for the operations and maintenance fund on or before August 25 of the preceding year. The Hospital District's Board of Trustees may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of individual funds.

Under the modified accrual basis of accounting revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

Applicable Kansas statutes require the Hospital District to use encumbrance accounting as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year. Budgeted revenue and expenditure amounts represent the original budget adopted by the Hospital Board of Trustees.

The following reconciliation is presented to provide a correlation between the different bases of accounting for reporting in accordance with generally accepted accounting principles (GAAP) and for reporting on the budgetary basis for the operations and maintenance fund:

GAAP basis net position at December 31, 2014	\$ 828,356
Adjustments:	
Net property and equipment	(504,820)
Capital lease obligations	<u>8,295</u>
Budgetary basis fund balance at December 31, 2014	<u>\$ 331,831</u>

Property taxes receivable

In accordance with governing statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred inflows of resources on the balance sheet of the appropriate funds.

1. Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Risk management

The Hospital District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial insurance coverage in any of the three preceding years.

The Hospital District pays fixed premiums for annual medical malpractice coverage under an occurrence-basis policy. The Hospital District accrues the expenses of its share of malpractice claim costs, if any, of reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of any incident. Based on the Hospital District's own claims experience, no accrual, for medical malpractice costs has been made in the accompanying financial statements.

Capital assets

The Hospital District's capital assets that are \$5,000 or greater, are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using the following estimated useful lives:

Land improvements	10 to 15 years
Buildings	10 to 40 years
Fixed equipment	5 to 20 years
Movable equipment	5 to 20 years

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. When depreciable property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected as non-operating revenue (expense).

Net patient service revenue

The Hospital District has agreements with third-party payers that provide for payments to the Hospital District at amounts different from its established rates. Payment arrangements include prospectively determined rates per episode, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments under reimbursement agreements with third-party payers, and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

1. Summary of significant accounting policies (continued)

Grants and contributions

From time to time, the Hospital District receives grants and contributions from government agencies, private organizations, and individuals. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses. When the Hospital District has both restricted and unrestricted resources available to finance a particular program, it is the Hospital District's policy to use restricted resources before unrestricted resources.

Net position

Net position of the Hospital District are classified in two components. *Net position invested in capital assets, net* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted net position* are remaining net position that do not meet the definition of *invested in capital assets, net*.

Operating revenues and expenses

The Hospital District's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Compensated absences payable

The Hospital's policy regarding vacation pay permits all full-time employees to earn vacation time based on the following rates:

<u>Years of service</u>	<u>Hours per month</u>
1 to 7	6.67
8 to 15	10.00
Over 15	13.34

Upon resignation or retirement from service with the Hospital, employees are entitled to payment for all accrued vacation, up to the allowable maximum. The operations and maintenance fund accrues compensated absence benefits as earned.

Deferred inflows of resources/Deferred outflows of resources

A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. The Hospital District identified a certain financial statement item that met the definition of a deferred outflow of resources. This item was reclassified as a deferred outflows, as applicable. There were no items that met the definition of a deferred outflow.

1. Summary of significant accounting policies (continued)

Taxation

The Hospital District is a political subdivision of the State of Kansas and is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Subsequent events

Subsequent events have been evaluated through July 26, 2015, which is the date the financial statements were available to be issued.

2. Estimated third-party payer settlements

The Hospital District has agreements with third-party payers that provide for payments to the Hospital District at amounts different from its established rates. These payment arrangements include:

- Medicare – Inpatient and outpatient services are paid based on cost reimbursement methodologies. The Hospital District is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital District and reviews thereof by the Medicare fiscal intermediary. The Hospital District's classification of patients under the Medicare program and appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital District. The Hospital District's Medicare cost reports have been reviewed by the Medicare fiscal intermediary through December 31, 2012.
- Medicaid – The Hospital District is reimbursed under the State of Kansas KanCare program utilizing the Medicaid fee schedule plus a cost adjustment factor.

Approximately 52% of net patient service revenue is from participation in the Medicare program for each of the years ended December 31, 2014 and 2013. Laws and regulations governing the Medicare program are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded settlement estimates will change materially in the near term.

The Hospital District has also entered into payment agreements with certain commercial insurance carriers and other third-party payer programs. The basis for payment to the Hospital District under these agreements includes prospectively determined rates per discharge, discounts from established charges and cost reimbursement.

3. Assets whose use is limited

Assets whose use is limited of \$53,816 and \$26,775 at December 31, 2014 and 2013, respectively, consist of assets designated by the Board of Trustees to be used for the operating expenditures and capital asset replacement or acquisition for ambulance services. These assets can be utilized for other purposes at the discretion of the Board of Trustees.

4. Cash and invested cash

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Hospital District's deposits may not be returned or the Hospital District will not be able to recover collateral securities in the possession of an outside party. The Hospital District's policy follows applicable State statutes and requires deposits to be 100% secured by collateral (pledged securities) valued at market, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. State statutes define the allowable pledged securities.

4. Cash and invested cash (continued)

The Hospital District's cash and investments at December 31, 2014 consisted of cash on hand, demand deposit, and savings accounts. At year end, the carrying amount of the Hospital District's deposits was \$196,875 with the bank balances of such accounts being \$244,027 which was entirely secured by federal depository insurance.

The remaining carrying amount of the Hospital District's cash and investments at December 31, 2014 consisted of cash on hand of \$20.

Investment policies

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Hospital District's investing activities are managed under the custody of the Hospital District's Administrator. Investing is performed in accordance with investment policies adopted by the Board of Trustees and in compliance with State statutes.

Applicable state statutes authorize the Hospital District to invest in (1) temporary notes or no-fund warrants issued by the Hospital District (2) time deposit, open accounts or certificates of deposit, with maturities of not more than two years, in commercial banks; (3) time certificates of deposit, with maturities of not more than two years, with state or federally chartered savings and loan associations or federally chartered savings banks, (4) repurchase agreements with commercial banks, state or federally chartered savings and loan associations or federally chartered savings banks; (5) United States treasury bills or notes with maturities as the governing body shall determine, but not exceeding two years; (6) the municipal investment pool maintained by the State Treasurer's office, and (7) trust departments of commercial banks.

5. Other post employment benefits

As provided by K.S.A. 12-5040, the Hospital District is required to allow qualifying retirees to participate in the group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the Hospital District is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of the subsidy, if any, has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Hospital District makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the Hospital District under this plan.

6. Concentrations of credit risk

The Hospital District's cash and investments are on deposit with one local financial institution and was entirely secured by federal depository insurance at December 31, 2014.

The Hospital District grants credit without collateral to its patients, most of whom are residents of the local area. The mix of gross accounts receivables was as follows:

	December 31,	
	2014	2013
Medicare	33.51%	30.14%
Medicaid	10.12	5.13
Blue Cross	11.54	8.05
Other commercial	7.24	18.92
Other	37.59	37.76
	<u>100.00 %</u>	<u>100.00 %</u>

7. Capital assets

Capital asset additions, disposals, and balances for the years ended December 31, 2014 and 2013 were as follows:

	Balance At December 31, 2013	Additions	Disposals	Balance At December 31, 2014
Capital assets not being depreciated:				
Land	\$ 14,229	\$ —	\$ —	\$ 14,229
Capital assets being depreciated:				
Land				
improvements	33,945	—	—	33,945
Buildings	1,154,509	—	—	1,154,509
Fixed equipment	603,457	8,932	3,600	608,789
Movable equipment	1,093,423	51,525	—	1,144,948
Total capital assets being depreciated	2,885,334	60,457	3,600	2,942,191
Less accumulated depreciation for:				
Land				
improvements	27,963	948	—	28,911
Buildings	957,876	17,414	—	975,290
Fixed equipment	339,423	53,012	3,600	388,835
Movable equipment	996,963	61,601	—	1,058,564
Total accumulated depreciation	2,322,225	132,975	3,600	2,451,600
Total capital assets being depreciated, net	563,109	(72,518)	—	490,591
Total capital assets, net	\$ 577,338	\$ (72,518)	\$ —	\$ 504,820
	Balance At December 31, 2012	Additions	Disposals	Balance At December 31, 2013
Capital assets not being depreciated:				
Land	\$ 14,229	\$ —	\$ —	\$ 14,229

7. Capital assets (continued)

	Balance At December 31, 2012	Additions	Disposals	Balance At December 31, 2013
Capital assets being depreciated:				
Land				
improvements	\$ 33,945	\$ —	\$ —	\$ 33,945
Buildings	1,154,509	—	—	1,154,509
Fixed equipment	524,897	78,560	—	603,457
Movable equipment	1,093,423	—	—	1,093,423
Total capital assets being depreciated	2,806,774	78,560	—	2,885,334
Less accumulated depreciation for:				
Land				
improvements	26,603	1,360	—	27,963
Buildings	939,508	18,368	—	957,876
Fixed equipment	287,283	52,140	—	339,423
Movable equipment	936,816	60,147	—	996,963
Total accumulated depreciation	2,190,210	132,015	—	2,322,225
Total capital assets being depreciated, net	616,564	(53,455)	—	563,109
Total capital assets, net	\$ 630,793	\$ (53,455)	\$ —	\$ 577,338

8. Long-term liabilities

The following is a summary of changes in long-term debt for the years ended December 31, 2014 and 2013:

	Balance At December 31, 2013	Additions	Reductions	Balance At December 31, 2014	Amounts Due Within One Year
Capital lease obligations	\$ 35,474	\$ —	\$ 27,179	\$ 8,295	\$ 8,295
Compensated absences payable	118,944	149,304	146,186	122,062	117,179
Total long-term liabilities	\$ 154,418	\$ 149,304	\$ 173,365	\$ 130,357	\$ 125,474

8. Long-term liabilities (continued)

	Balance At December 31, 2012	Additions	Reductions	Balance At December 31, 2013	Amounts Due Within One Year
Capital lease obligations	\$ 73,944	\$ —	\$ 38,470	\$ 35,474	\$ 27,179
Compensated absences payable	<u>123,951</u>	<u>134,907</u>	<u>139,914</u>	<u>118,944</u>	<u>114,186</u>
Total long-term liabilities	<u>\$ 197,895</u>	<u>\$ 134,907</u>	<u>\$ 178,384</u>	<u>\$ 154,418</u>	<u>\$ 141,365</u>

The Hospital District leases certain equipment under capital lease agreements. Interest expense related to the lease agreements was \$1,411 and \$4,785 for 2014 and 2013, respectively. The following is an analysis of the financial presentation of the capital leases:

	December 31,	
	2014	2013
Fixed equipment	\$ —	\$ 101,897
Movable equipment	<u>55,733</u>	<u>55,733</u>
	55,733	157,630
Accumulated depreciation	<u>29,439</u>	<u>83,380</u>
	<u>\$ 26,294</u>	<u>\$ 74,250</u>

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2014:

Year ending December 31, 2015	\$ <u>8,601</u>
Total minimum lease payments	8,601
Less amount representing interest	171
Less amount for insurance	<u>135</u>
Present value of net minimum lease payments	8,295
Less current portion	<u>8,295</u>
Long-term portion of capital lease obligations	<u>\$ —</u>

9. Fair value of financial instruments

Generally Accepted Accounting Principles (GAAP) establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurements. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

- Level 1 – Quoted market prices are available in active markets for identical instruments as of the reporting date.
- Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are other than quoted prices in active markets as in Level 1.

9. Fair value of financial instruments (continued)

- Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument.

The following methods and assumptions were used by the Hospital District in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amounts reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts receivable – The carrying amounts reported in the balance sheet for accounts receivable approximates fair value because of the short-term nature of those instruments.

Estimated third-party payor settlements – The carrying amounts reported in the balance sheet for estimated third-party payor settlements approximates fair value because of the short-term nature of those instruments.

Board designated assets – These assets consist of cash and short-term investments and the carrying amounts reported in the balance sheet approximates their fair value.

Accounts and other payables – The carrying amounts reported in the balance sheet for accounts and other payables approximates its fair value.

Long-term debt – These liabilities consist of capitalized lease obligations. The fair value of these liabilities is estimated using discounted cash flow analyses, based on the interest rate implicit in the lease agreements.

The carrying amounts and fair value of the Hospital District's financial instruments at December 31, 2014 and 2013 are as follows:

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 143,079	\$ 143,079	\$ 188,626	\$ 188,626
Accounts receivable	624,564	624,564	542,747	542,747
Estimated third-party payor settlements	156,453	156,453	90,120	90,120
Board designated assets	53,816	53,816	26,775	26,775
Accounts and other payables	473,480	473,480	507,118	507,118
Long-term debt	8,295	8,295	35,474	35,474

10. Compliance with Kansas law

Kansas statutes prohibit the expenditures of individual funds to exceed the adopted budget for such funds. For the year ended December 31, 2014, the operations and maintenance fund expenditures exceeded the adopted budget in the amount of \$165,031.

11. Going concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Hospital District as a going concern. However, the Hospital District has sustained substantial operating losses and declines in the volume of patient service revenues in recent years. In addition, the Hospital District has used substantial amounts of working capital in its operations. At December 31, 2014, current liabilities exceeded the cash and investment funds available by \$436,451.

11. Going concern (continued)

In view of these matters, realization of a major portion of the assets in the accompanying balance sheet is dependent upon continued operations of the Hospital District, which in turn is dependent upon the Hospital District's ability to meet its financing requirements, and the success of its future operations. Management believes that actions presently being taken to improve the Hospital District's operating and financial environment provide the opportunity for the Hospital District to continue as a going concern. These actions include:

- Delaying acquisition of replacement equipment and leasing equipment rather than purchasing.
- Assessing the feasibility of instituting new ancillary services.
- Other measures to bring the overall Hospital District's costs in line with recent patient service volume levels.
- Implementation of new information technology Hospital Districts to improve efficiencies in clinical services and financial controls.

ADDITIONAL INFORMATION

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

OPERATION AND MAINTENANCE FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS**

Year ended December 31, 2014

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
Revenues:				
Net patient service revenue	\$ 3,427,231	\$ 3,427,231	\$ 3,509,043	\$ 81,812
Taxes	77,925	77,925	78,210	285
Other	43,000	43,000	197,861	154,861
Total revenues	3,548,156	3,548,156	3,785,114	236,958
Expenditures:				
Salaries	2,014,766	2,014,766	2,037,516	(22,750)
Employee benefits	402,062	402,062	401,661	401
Supplies and contractual services	1,040,398	1,040,398	1,220,444	(180,046)
Capital outlay	125,000	125,000	87,636	37,364
Total expenditures	3,582,226	3,582,226	3,747,257	(165,031)
Revenue over (under) expenditures	(34,070)	(34,070)	37,857	71,927
Fund balance, beginning of year	209,599	209,599	293,974	84,375
Fund balance, end of year	\$ 175,529	\$ 175,529	\$ 331,831	\$ 156,302

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

SCHEDULE OF PATIENT SERVICE REVENUE

Year ended December 31,						
2014			2013			
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Routine service - Acute	\$ 155,180	\$ —	\$ 155,180	\$ 155,450	\$ —	\$ 155,450
Swing bed - Skilled	263,750	—	263,750	264,600	—	264,600
Swing bed - Intermediate care	993,440	—	993,440	930,654	—	930,654
Observation	3,750	214,830	218,580	6,810	161,090	167,900
Nursery	7,200	—	7,200	4,950	—	4,950
Operating room	11,130	53,120	64,250	17,172	85,372	102,544
Delivery room	800	—	800	800	—	800
Anesthesiology	5,100	9,525	14,625	7,875	5,100	12,975
Radiology	9,603	143,218	152,821	12,763	139,851	152,614
Laboratory	134,181	186,122	320,303	141,638	187,148	328,786
Physical therapy	118,386	272,595	390,981	125,403	217,764	343,167
Speech therapy	740	125	865	8,530	3,900	12,430
Occupational therapy	3,125	1,225	4,350	14,950	5,275	20,225
Electrocardiology	520	6,050	6,570	195	4,405	4,600
Medical supplies	323,433	169,948	493,381	309,034	122,344	431,378
Pharmacy	549,046	645,621	1,194,667	550,784	573,927	1,124,711
Cardiac rehabilitation	—	16,290	16,290	—	17,665	17,665
Emergency room	300	80,665	80,965	400	65,435	65,835
Ambulance	—	63,164	63,164	—	70,656	70,656
Gross patient service revenue	\$ <u>2,579,684</u>	\$ <u>1,862,498</u>	4,442,182	\$ <u>2,552,008</u>	\$ <u>1,659,932</u>	4,211,940
Contractual adjustments			(875,174)			(790,361)
Bad debts, net of recoveries			<u>(57,965)</u>			<u>(11,883)</u>
Net patient service revenue			\$ <u>3,509,043</u>			\$ <u>3,409,696</u>

HANOVER HOSPITAL

a/k/a WASHINGTON COUNTY HOSPITAL DISTRICT NO. 1

SCHEDULE OF OPERATING EXPENSES BY FUNCTIONAL DIVISION

Department	Year ended December 31, 2014				Percent of total operating expenses
	Salaries	Supplies and other	Depreciation	Total	
Routine service:					
Adult and pediatrics	\$ 890,235	\$ 39,358	\$ -	\$ 929,593	24.56 %
Nursery	799	91	-	890	0.02
	<u>891,034</u>	<u>39,449</u>	<u>-</u>	<u>930,483</u>	<u>24.58</u>
Ancillary services:					
Operating room	45,475	11,118	-	56,593	1.49
Delivery room	7,401	75	-	7,476	0.20
Radiology	3,532	46,284	-	49,816	1.31
Laboratory	94,962	162,671	-	257,633	6.80
Physical therapy	-	257,337	-	257,337	6.79
Speech therapy	-	2,175	-	2,175	0.06
Occupational therapy	-	5,038	-	5,038	0.13
Electrocardiology	2,249	-	-	2,249	0.06
Medical supplies	26,111	72,862	-	98,973	2.61
Pharmacy	41,426	198,342	-	239,768	6.33
Cardiac rehabilitation	3,475	-	-	3,475	0.09
Emergency room	376,329	98,545	-	474,874	12.53
Ambulance	36,919	14,420	-	51,339	1.35
Home health	-	-	-	-	-
	<u>637,879</u>	<u>868,867</u>	<u>-</u>	<u>1,506,746</u>	<u>39.75</u>
General services:					
Nursing administration	93,619	-	-	93,619	2.47
Operation of plant	72,171	105,255	-	177,426	4.68
Laundry	39,182	7,896	-	47,078	1.24
Housekeeping	51,741	10,824	-	62,565	1.65
Dietary	125,454	92,677	-	218,131	5.76
Medical records	12,839	820	-	13,659	0.36
Administration and general	113,597	90,940	-	204,537	5.40
Employee benefits	-	401,661	-	401,661	10.60
Depreciation - building	-	-	71,374	71,374	1.88
Depreciation - equipment	-	-	61,601	61,601	1.63
	<u>508,603</u>	<u>710,073</u>	<u>132,975</u>	<u>1,351,651</u>	<u>35.67</u>
	<u>\$ 2,037,516</u>	<u>\$ 1,618,389</u>	<u>\$ 132,975</u>	<u>\$ 3,788,880</u>	<u>100.00 %</u>

Year ended December 31, 2013					
Department	Salaries	Supplies and other	Depreciation	Total	Percent of total operating expenses
Routine service:					
Adult and pediatrics	\$ 872,368	\$ 53,484	\$ –	\$ 925,852	25.53 %
Nursery	244	35	–	279	0.01
	<u>872,612</u>	<u>53,519</u>	<u>–</u>	<u>926,131</u>	<u>25.54</u>
Ancillary services:					
Operating room	40,108	18,946	–	59,054	1.63
Delivery room	2,535	31	–	2,566	0.07
Radiology	3,013	47,227	–	50,240	1.39
Laboratory	92,746	156,416	–	249,162	6.87
Physical therapy	–	224,647	–	224,647	6.20
Speech therapy	–	9,523	–	9,523	0.26
Occupational therapy	–	9,152	–	9,152	0.25
Electrocardiology	451	–	–	451	0.01
Medical supplies	22,881	48,323	–	71,204	1.96
Pharmacy	42,412	195,371	–	237,783	6.56
Cardiac rehabilitation	6,568	–	–	6,568	0.18
Emergency room	317,482	102,153	–	419,635	11.58
Ambulance	38,348	13,009	–	51,357	1.42
Home health	–	337	–	337	0.01
	<u>566,544</u>	<u>825,135</u>	<u>–</u>	<u>1,391,679</u>	<u>38.39</u>
General services:					
Nursing administration	103,210	–	–	103,210	2.85
Operation of plant	58,596	92,824	–	151,420	4.18
Laundry	47,042	5,678	–	52,720	1.45
Housekeeping	42,135	9,925	–	52,060	1.44
Dietary	114,741	72,587	–	187,328	5.17
Medical records	12,814	377	–	13,191	0.36
Administration and general	111,537	99,999	–	211,536	5.84
Employee benefits	–	403,743	–	403,743	11.14
Depreciation - building	–	–	71,868	71,868	1.98
Depreciation - equipment	–	–	60,147	60,147	1.66
	<u>490,075</u>	<u>685,133</u>	<u>132,015</u>	<u>1,307,223</u>	<u>36.07</u>
	<u>\$ 1,929,231</u>	<u>\$ 1,563,787</u>	<u>\$ 132,015</u>	<u>\$ 3,625,033</u>	<u>100.00 %</u>